

CITY CENTER PROJECT FINANCE UPDATE

FUNDING SOURCES, REVENUE ASSUMPTIONS,
COMPETING PROJECTS, FINANCING ALTERNATIVES

Presentation Overview

- Capital Project Funding Sources
- Overview of Property Tax, Assessed Valuation
 - ▣ Property Tax
 - ▣ Assessed Valuation
 - ▣ Projecting Available Funds for Debt Service on Bonds
- Overview of Bond Issuance Criteria
- Advise of debt service payment capability
- Review of alternatives and their capital and O & M costs
- Review of costs and O & M for projects competing CIP projects
- Discuss emerging CIP priorities
- Discussion

Capital Project Funding Sources

- General Obligation (GO) Bonds (*Borrowed*)
- Development Fees (*Collected; one time per home or commercial building*)
 - ▣ Fees are paid by developers for City services that have to keep up with growth - libraries, streets, public safety, utilities, parks
- General Fund (*Taxes Collected; ongoing*)
 - ▣ Pays for everyday operations of the City except for fee-based services such as water and sanitation

Step 1: How Do We Borrow Money?

Family vs. City

Family to build a house

- **Family takes out a mortgage**

City to build building(s)

- **City sells GO Bonds based upon authority approved by the voters**

Voters Authorize GO Bonds

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1. Voters must vote in a bond election to give the City the authority to sell GO Bonds in the various categories
2. City has total of \$45.6 million voter authorization on GO Bonds for public buildings:
 - 1988: \$ 2.5 million
 - 1994: \$ 4.1 million
 - 2000: \$12 million
 - 2004: \$27 million
3. \$45.2 million of authorized bonds have never been issued

Step 2: How Much Can We Borrow?

Family vs. City

Family to build a house

- **Family's total income and their net worth basically determines how much they can qualify for**

City to build building(s)

- **The Full Cash Value of all property in the city determines how much the City can qualify for**

Assessed Valuation (AV)

- ❑ The County Assessor goes around to each piece of property – residential and commercial – in a city each year to determine its value for property tax purposes.
- ❑ It is the total full cash value of all that property that is used to determine how much is available for a city to borrow.

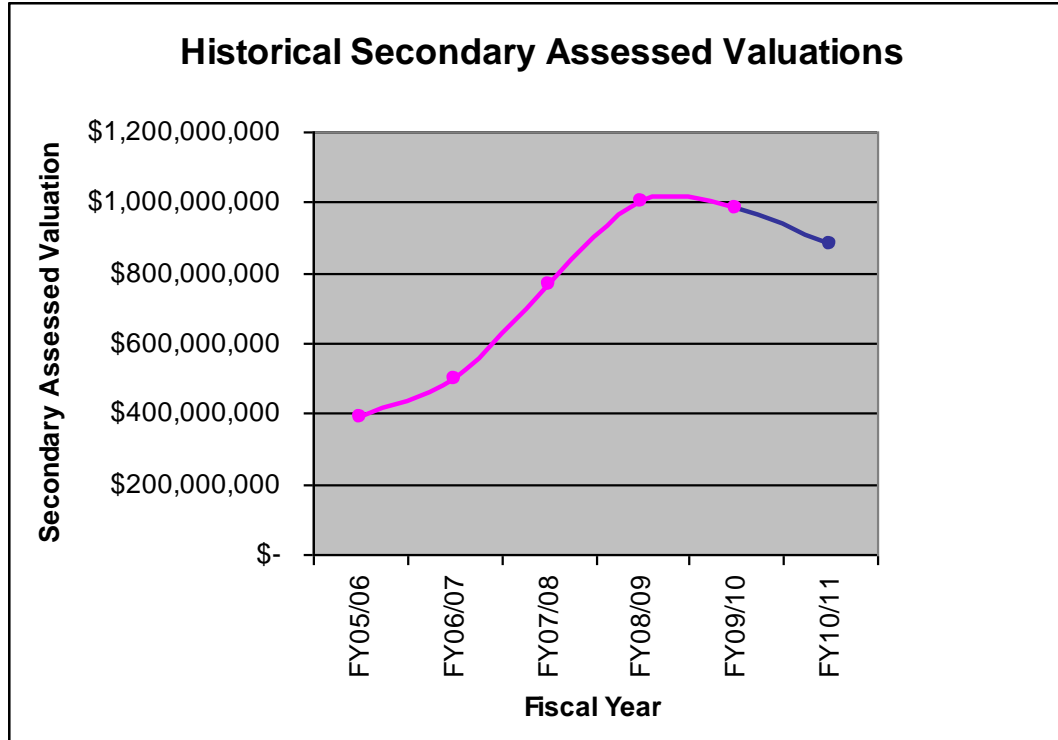
City of Goodyear's Property Tax

- Each year, the Council establishes limit for its property tax rate
 - ▣ Residential - \$1.60 per \$100 of assessed value of the property.
- **City's overall \$1.60 property tax has two components:**
 - ▣ **Primary Property Tax** - \$ 0.6323 tax rate
 - Funds general government operations
 - ▣ **Secondary Property Tax** - \$ 0.9677 tax rate
 - Used ONLY for debt to pay principal and interest owed on general obligation (GO) bonds that have been sold
 - Secondary Assessed Valuation = Full Cash Value (FCV)

How Property Taxes Pay for Debt

- Secondary property taxes can ONLY be used to pay for debt on GO bonds
 - ▣ Pays for principal and interest
- The total amount we can qualify to borrow is based on our Secondary Assessed Valuation (SAV)
 - ▣ The higher the valuation, the more we can qualify to borrow

Secondary Assessed Valuations (SAV)



Historical Secondary Assessed Valuations

	FY05/06	FY06/07	FY07/08	FY08/09	FY09/10	FY10/11
Secondary AV	\$ 391,377,371	\$ 494,913,013	\$ 764,237,139	\$ 1,000,721,049	\$ 982,750,592	\$ 878,642,679

Step 3: How much can we borrow?

Family vs. City

Family to build a house

- **Amount of income left after other loans and debts are paid determines how much a family can borrow**

City to build building(s)

- **How much income secondary property tax generates determines how much City can borrow**

Secondary Property Tax Revenue

	Actual FY 09/10
Secondary Assessed Valuation (SAV)	\$ 982,750,592
Secondary Tax Rate	0.9677
Secondary Tax Revenue	\$ 9,513,026

Property Taxes Lag Assessments

- There is a delay between when projects are assessed, billed, and used in City budgets:

Activity Year	“As of” Date	Tax Year	Fiscal Year
2007	Jan. 1, 2008	2009	FY 09/10
2008	Jan. 1, 2009	2010	FY 10/11
2009	Jan. 1, 2010	2011	FY 11/12
2010	Jan. 1, 2011	2012	FY 12/13
2011	Jan. 1, 2012	2013	FY 13/14
2012	Jan. 1, 2013	2014	FY 14/15
2013	Jan. 1, 2014	2015	FY 15/16

Step 4: How Much Debt Can We Afford to Pay for?

Family vs. City

Family to build a house

- **Other monthly payments such as water, cable, electric and gas further limit how much a family can really afford to repay every month**

City to build building(s)

- **State statutes further limit how much City can borrow**
 - ▣ **Limits of 6% of budget**
 - ▣ **Limits of 20% of budget**

Constitutional Limits

- Arizona Constitution limits a City's bonded debt capacity to certain percentages of its Secondary Assessed Valuation:
 - ▣ 6% limit: any other general purpose government improvements (including public buildings)
 - ▣ 20% limit: projects involving water, sewer, artificial lighting, parks, open space, recreational facility improvements, public safety, streets, and transportation.
 - This limit is higher because these are thought to be more basic core services than city buildings.
 - ▣ Current outstanding debt must be included in percentage calculations

Arizona 6% Constitutional Limits

	FY09/10	FY10/11	FY11/12	FY12/13	FY13/14	FY14/15
Arizona 6% Constitutional Limit	\$ 58,965,036	\$ 52,718,561	\$ 49,745,186	\$ 49,189,968	\$ 50,326,895	\$ 51,782,032

Authorized and Unissued Bonds – 6% and 20% Limitations

Authorized and Unissued Bonds

Purpose	Constitutional Limit	Voter Approved	Amount Issued	Remaining Authorization
Public Buildings, Library, and Technology	6%	\$ 45,600,000	\$ 405,000	\$ 45,195,000
Public Safety	20%	\$ 10,250,000	\$ -	\$ 10,250,000
Parks and Recreational Facilities	20%	\$ 58,400,000	\$ 26,245,000	\$ 32,155,000
Fire Protection	20%	\$ 20,500,000	\$ 3,500,000	\$ 17,000,000
Sewer System	20%	\$ 88,000,000	\$ 55,643,384	\$ 32,356,616
Storm Sewer and Bridge Drainage	20%	\$ 22,000,000	\$ 4,200,000	\$ 17,800,000
Street and Highway	20%	\$ 40,400,000	\$ 32,450,000	\$ 7,950,000
Water System	20%	\$ 53,850,000	\$ 46,331,167	\$ 7,518,833
Transportation	20%	\$ 3,250,000	\$ -	\$ 3,250,000
Total Combined Authorized but Unissued Bonds		\$ 342,250,000	\$ 168,774,551	\$ 173,475,449

Decision-Making Process

□ STEP 1

▣ Estimating future Secondary Property Tax income

- Take into account delay in assessed valuation calculation and property tax impact on city budgets
- Assumptions regarding future residential and commercial growth

□ STEP 2 - Debt Capacity

▣ Financing Methodology

▣ Risks

▣ Project Needs

Future Year Growth Assumptions

- Assumptions for future year scenarios are based on:
 - ▣ Information from the Assessor's Office
 - ▣ Financial forecasting models
 - ▣ Current construction trends within the City

Baseline Assumptions for FY10/11	
Single Family Residential	600 new homes per year
Commercial/Industrial	\$12,127,709 in added SAV

Projected Scenario Assumptions - Residential

Residential Assumptions

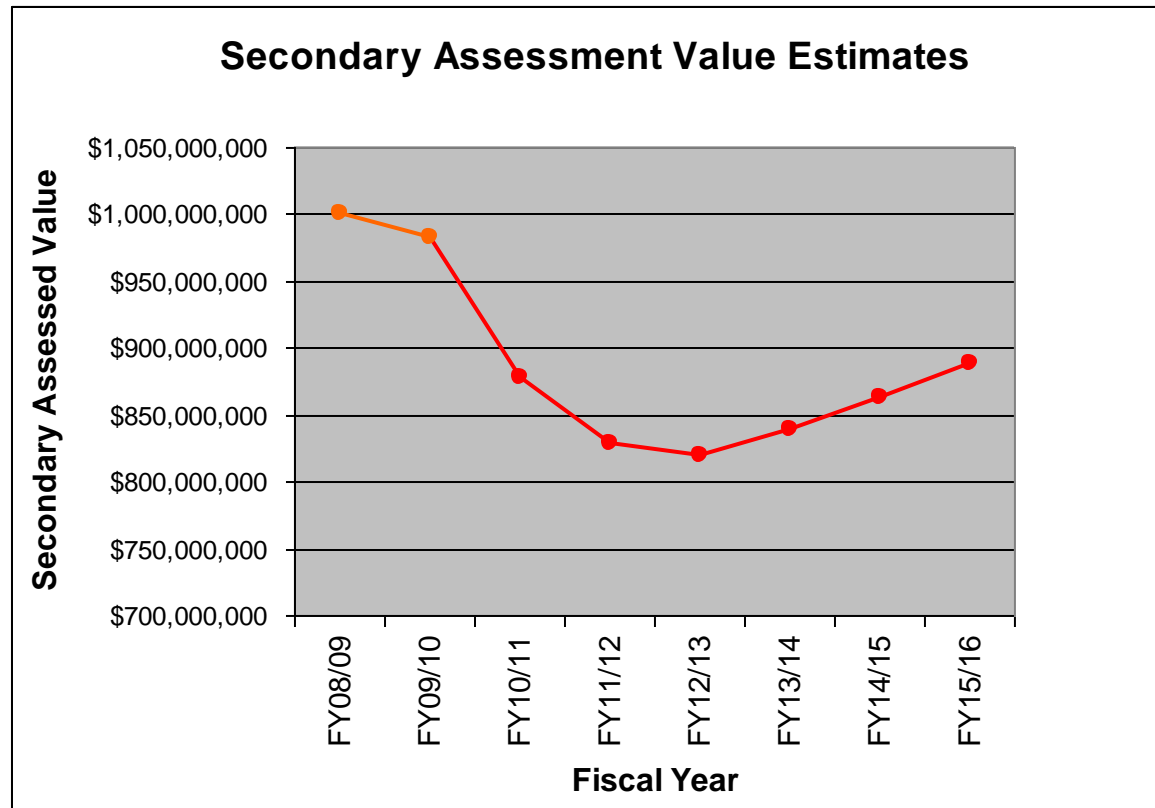
Activity Year	Fiscal Year	Full Cash Value	New Construction #
2008	FY 2010/11	\$3.4 billion	600 homes
2009	FY 2011/12	10% decline	600 homes
2010	FY 2012/13	No change	600 homes
2011	FY 2013/14	2% increase	612 homes
2012	FY 2014/15	2% increase	624 homes
2013	FY 2015/16	2% increase	655 homes

Projected Scenario Assumptions – Commercial/Industrial

Commercial / Industrial Assumptions

Activity Year	Fiscal Year	Full Cash Value	Change in SAV Due to New Construction
2008	FY 2010/11	\$1.34 billion	\$33.9 million increase
2009	FY 2011/12	5% decline	\$12 million increase
2010	FY 2012/13	10% decline	Less than 1% increase
2011	FY 2013/14	No change	Less than 1% increase
2012	FY 2014/15	2% increase	Less than 1% increase
2013	FY 2015/16	2% increase	2% increase

Secondary Property Tax Assessed Valuation Estimates Through FY15-16



Historical SAV Growth Used for Long Range Forecasting

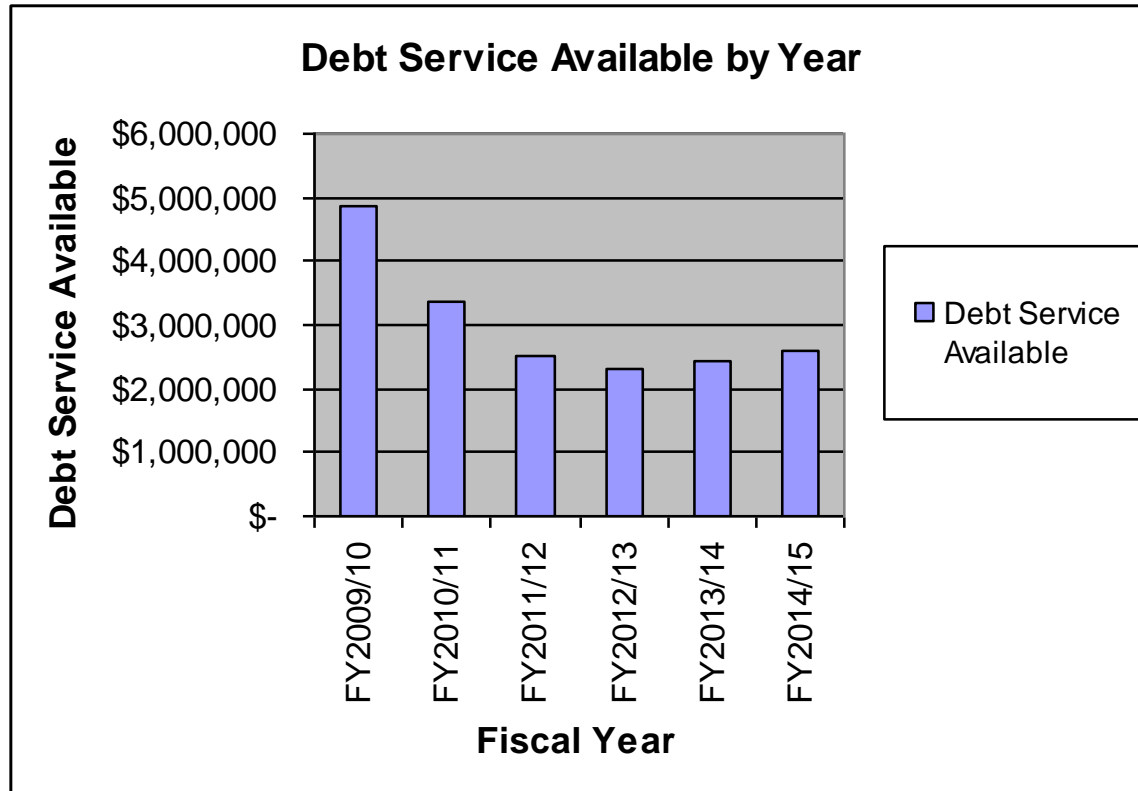
- Staff estimates for Secondary Property Tax income beyond FY15/16 are conservative based on pre-boom year trends
- Average 22.24% SAV growth from FY96/97 to FY05/06
- Activity years: 1994 - 2003

Fiscal Year	Secondary Assessed Valuation	Percentage Growth Over Previous Year
1996/97	\$ 57,976,454	8.73%
1997/98	\$ 72,226,790	24.58%
1998/99	\$ 88,767,663	22.90%
1999/00	\$ 102,406,859	15.37%
2000/01	\$ 136,557,331	33.35%
2001/02	\$ 174,404,952	27.72%
2002/03	\$ 222,388,265	27.51%
2003/04	\$ 264,638,241	19.00%
2004/05	\$ 327,191,619	23.64%
2005/06	\$ 391,377,371	19.62%
Ten Year Average Growth		22.24%

Estimated Secondary Property Tax Revenue

	Actual FY 09/10	Estimated FY 10/11
Secondary Assessed Valuation (SAV)	\$ 982,750,592	\$ 878,642,679
x Secondary Tax Rate	x <u>0.9677</u>	x <u>0.9038</u>
= Secondary Tax Revenue	\$ 9,513,026	\$ 7,941,440

Projected Debt Service Available



Debt Service Available By Year

	FY10/11	FY11/12	FY12/13	FY13/14	FY14/15
Secondary Property Tax Revenue	\$ 7,941,440	\$ 7,097,444	\$ 6,905,262	\$ 7,004,166	\$ 7,181,774
Existing Debt Service	\$ 4,566,325	\$ 4,589,660	\$ 4,578,167	\$ 4,576,096	\$ 4,605,980
DEBT SERVICE AVAILABLE	\$ 3,375,115	\$ 2,507,784	\$ 2,327,095	\$ 2,428,070	\$ 2,575,794

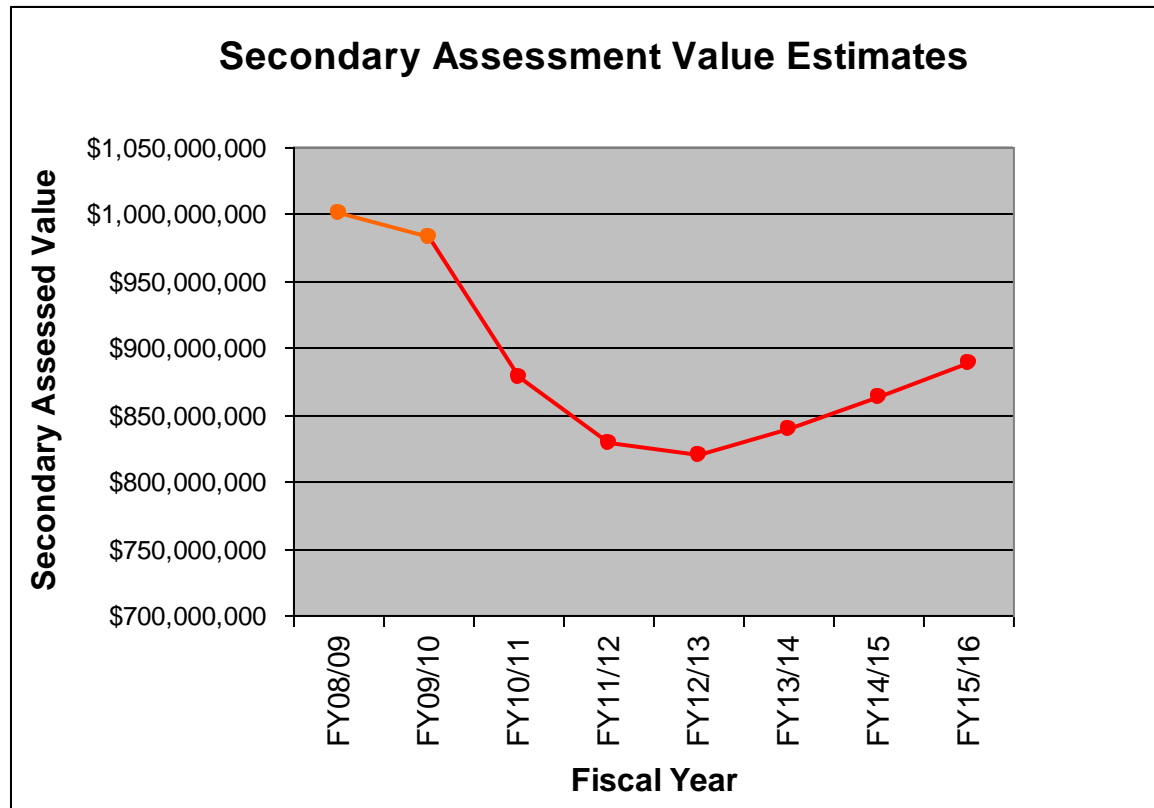
Original Proposed Phase I City Center Funding

Existing CIP (in \$Millions)

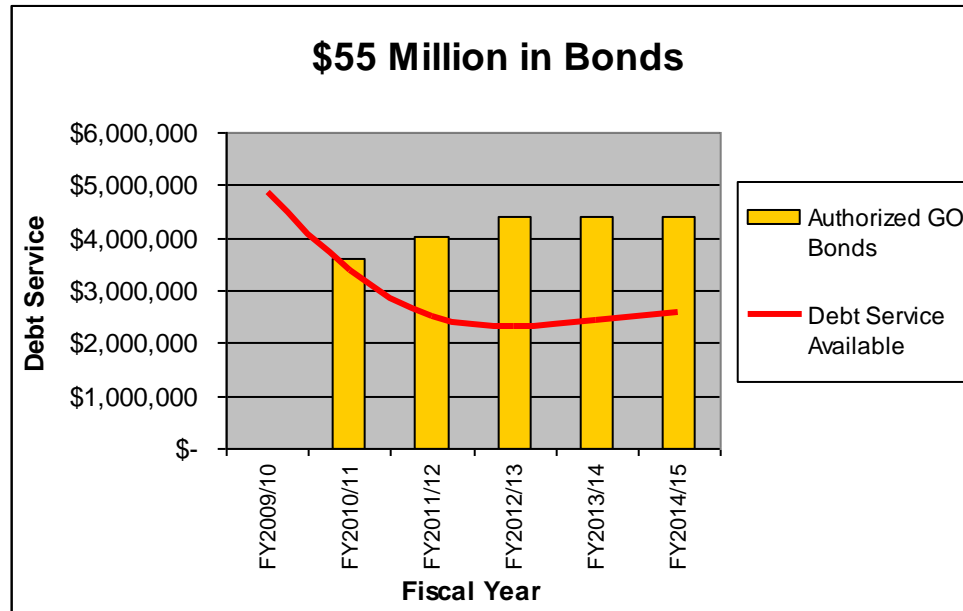
	Fiscal Year					
	2008/09	2009/10	2010/11	2011/12	2012/13	Total
GO Bonds - Buildings		\$ 40.0	\$ 5.0			\$ 45.0
GO Bonds - Infrastructure				\$ 5.0	\$ 5.0	\$ 10.0
Development Impact Fees	\$ 4.2	\$ 2.6	\$ 1.4	\$ 1.6	\$ -	\$ 9.8
Developer Buy-In		\$ 1.5				\$ 1.5
General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$ 4.2	\$ 44.1	\$ 6.4	\$ 6.6	\$ 5.0	\$ 66.3

Note: Funding for a specific year may not be available until the latter part of the year.

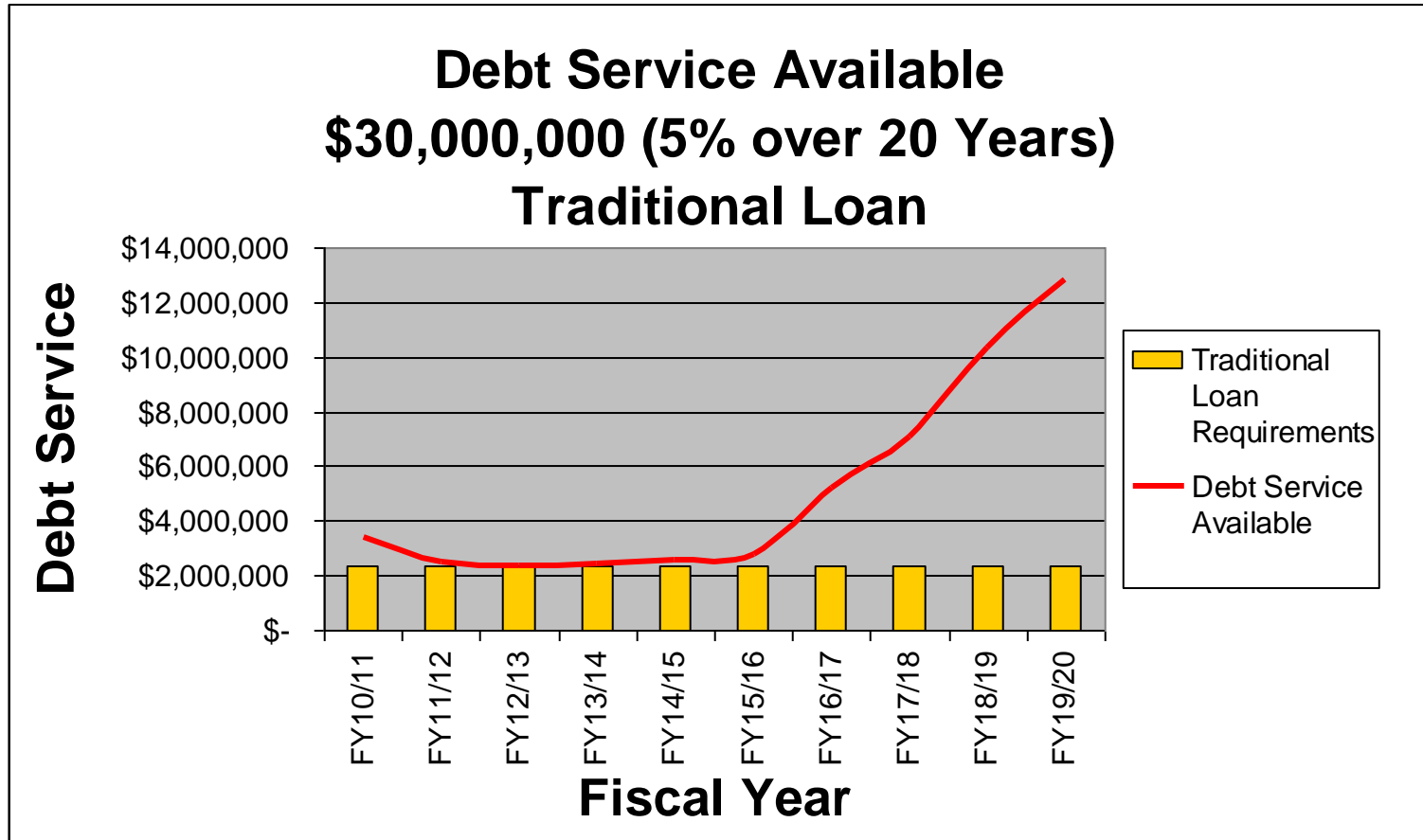
Secondary Property Tax Assessed Valuation Estimates Through FY15-16



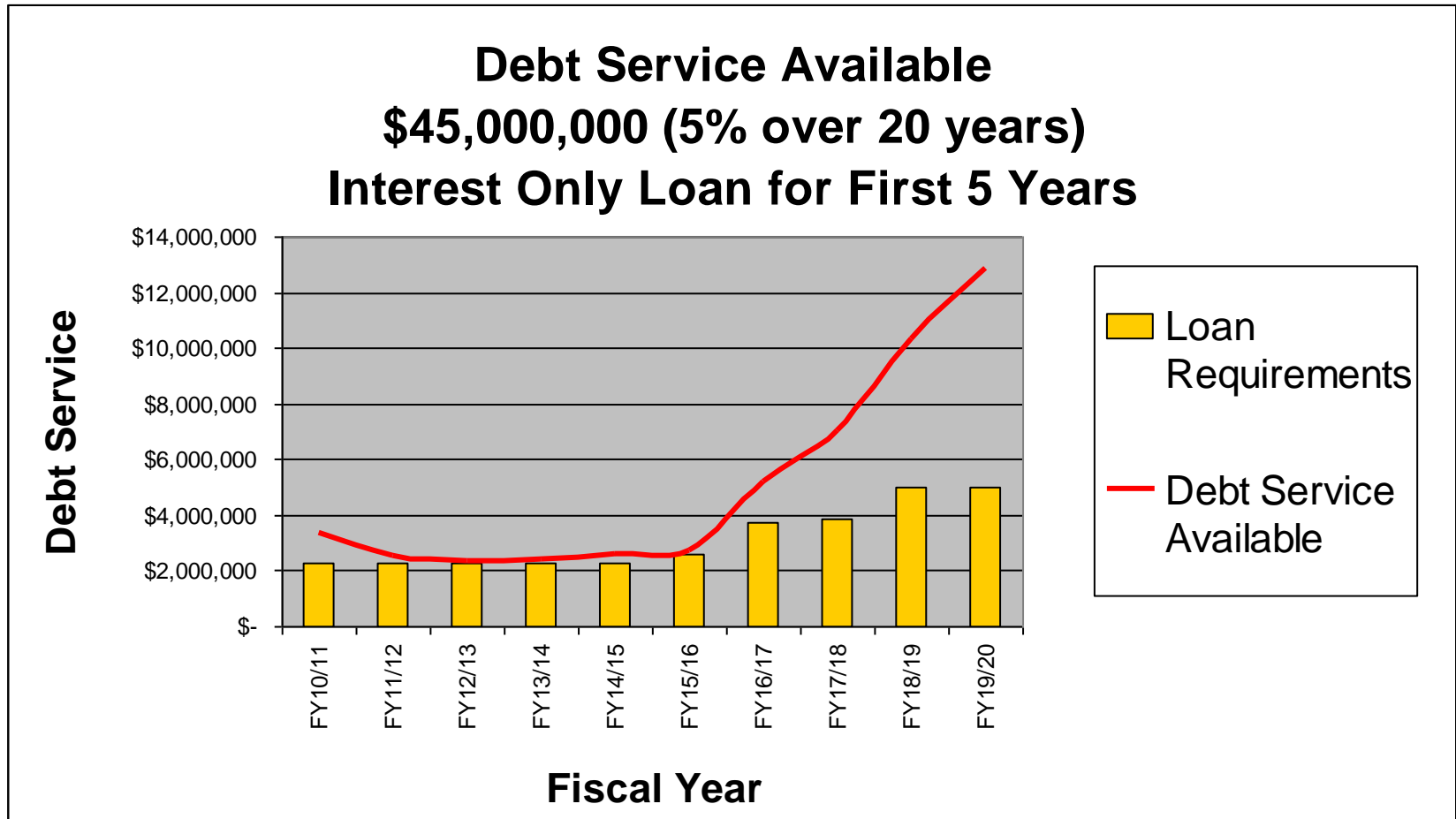
Debt Service Needed to Support \$55 Million in Bonds



Option 1: Traditional Financing



Option 2: Five-Year Interest Only; P&I for 15-Year Remaining Term



Financing Approach Recommendation

- Option 1 – Traditional Financing is Recommended
 - ▣ 20-year term with conventional principal and interest payments
 - More Conservative
 - Less Risk During Volatile Economy
 - Reduces Risk of Declining Bond Rating

Capital Projects Competing for \$30 Million Maximum Bond Issuance

City Center Phase I

Original

- ❑ City Hall, Library, Infrastructure

Alternative Phasing Options

(Infrastructure included with each)

- ❑ Library and Park
- ❑ Library Only
- ❑ City Hall with Library on 2nd Floor
- ❑ Defer everything

Other Competing CIP Projects

- ❑ 4-Acre Civic Park (20%)
- ❑ City Telephone System (6% or 20%)
- ❑ Telecom 911 Facility (20%)
- ❑ Public Works Corporate Yard (6%)
- ❑ Public Safety Administration Facility (20%)
- ❑ Public Safety Training Facility (20%)
- ❑ Police/Fire Radio (20%)
- ❑ EMR Park Phase II (20%)
- ❑ Bullard Wash (I-10-Yuma) (20%)
- ❑ El Rio Watercourse (20%)
- ❑ HTE Replacement/HRIS (6% or 20%)
- ❑ Universities (6%)
- ❑ Performing Arts Center (6%)
- ❑ Multi-Gen Facility (6% or 20%)

CIP Recommended Priorities

	<u>Total w/in 5 Years</u>	<u>GF</u>	<u>GO Bond</u>	<u>Dev Fees</u>	<u>Net New O&M</u>
Police/Fire Radio	\$8,986,330	\$ 524,000	\$6,134,840	\$2,327,490	\$800,000
Telephones	\$ 2,000,000	\$ 415,000	\$0	\$0	\$ 635,000
Telecom 911	\$ 7,500,000	\$0	\$ 1,136,134	\$ 5,763,866	\$ 55,000
Public Works Corporate Yard (Phase I)	\$ 6,000,000	\$ 0	\$0	\$ 5,692,864	\$ 177,418
HTE Replacement/HRI S (Phase I)	\$ 1,500,000	<u>\$ 435,000</u>	<u>\$0</u>	<u>\$ 1,065,000</u>	<u>\$0</u>
		\$ 1,374,000	\$ 7,270,974	\$14,849,220	\$ 1,667,418

- \$7.3 million in GO Bonds equates to approximately \$583,000 per year in debt service payments.

After Priorities, GO Bond Funding We Can Afford for City Center Phase I

\$ 30,000,000	<i>Total Amount of Bonds we can afford to pay debt service on</i>
<u>\$ (7,270,974)</u>	<i>GO Bonds Needed for Priorities in next 5 years</i>
\$ 22,729,026	<i>Remaining Bonds That Can Be Issued in next 5 years and still stay within payment capacity</i>

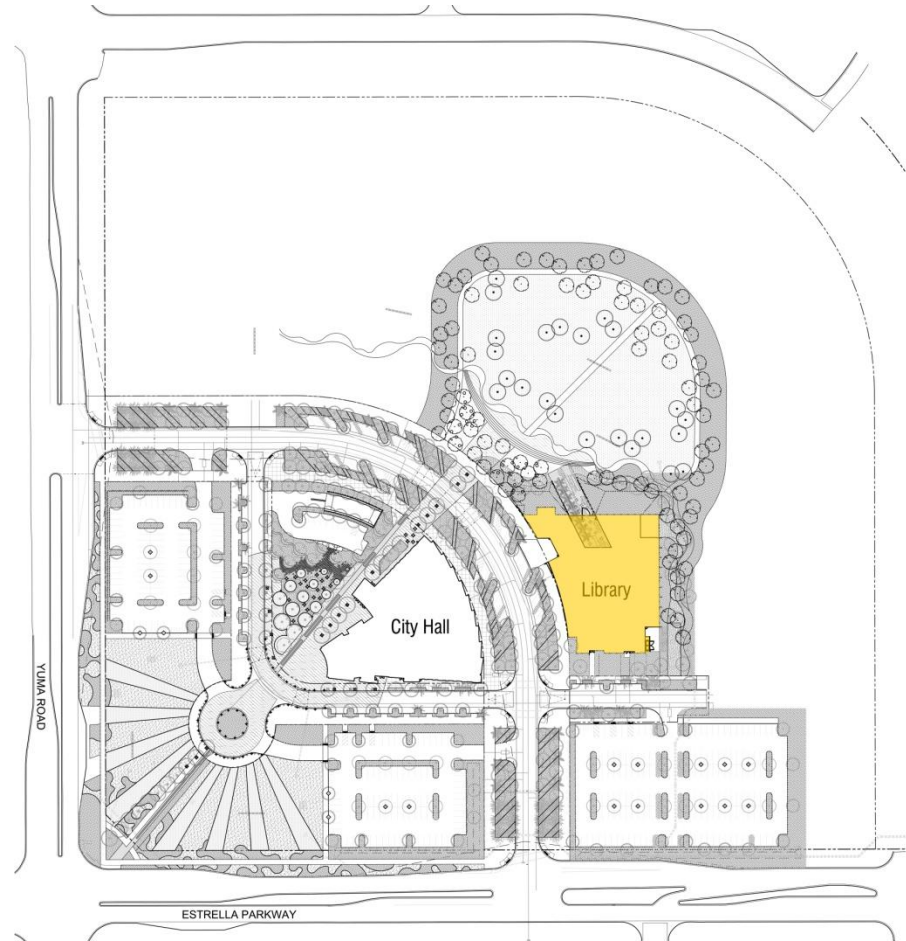
Other City Center Phase I Options

	Capital Costs	Net New O&M
Original Scope (CH, Library)	\$61 million	\$200,000 (City Hall); Library = incremental costs phased in
Library and Park	\$26.3 million	\$467,000 Park & Library IT, incremental costs phased in
Library Only	\$25.2 million	\$432,000 for IT; Incremental costs phased in
City Hall with Library in 2 nd Floor	\$52.4 million	\$200,000 (City Hall); Library = incremental costs phased in

*All scenarios include Infrastructure, Tenant Improvements, and FF&E.

Possible Scope of Revised City Center Phase I

□ Stand Alone Library



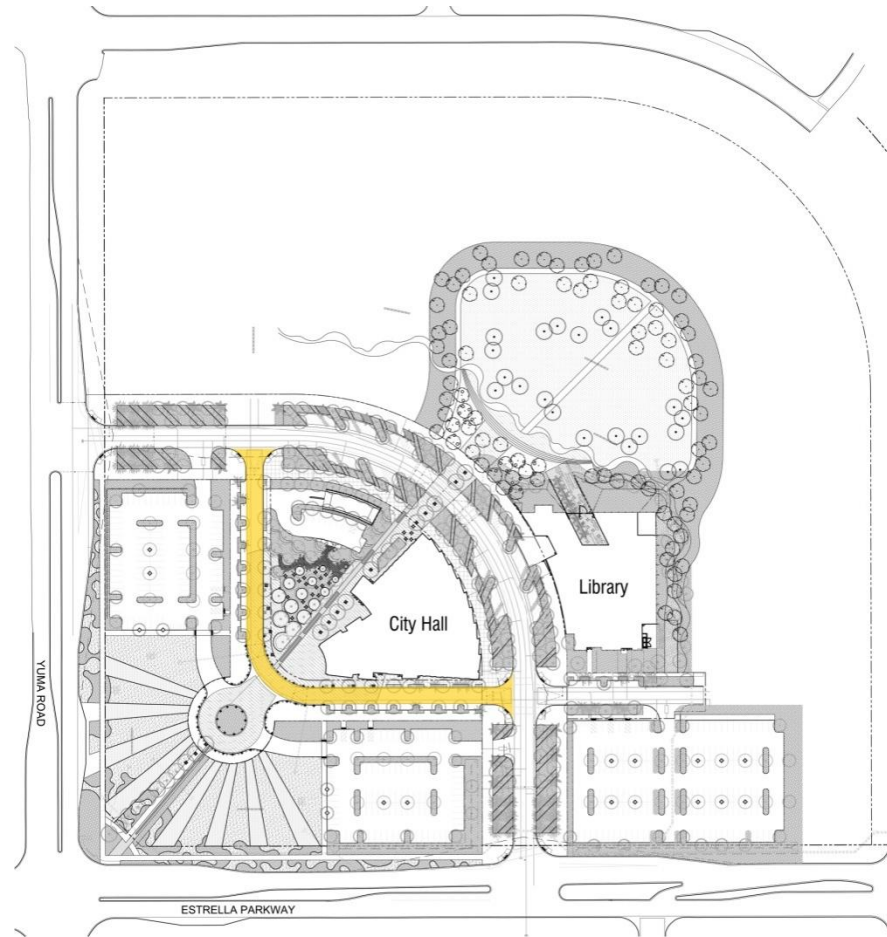
Possible Scope of Revised City Center Phase I

- Infrastructure
 - Scope of the infrastructure could remain the same as originally proposed in City Center Phase I
 - This would provide the area a better “Sense of Place” and will make it more marketable for the private sector
 - By the time City Hall is built the landscaping will be quite lush and mature adding to the character of the downtown

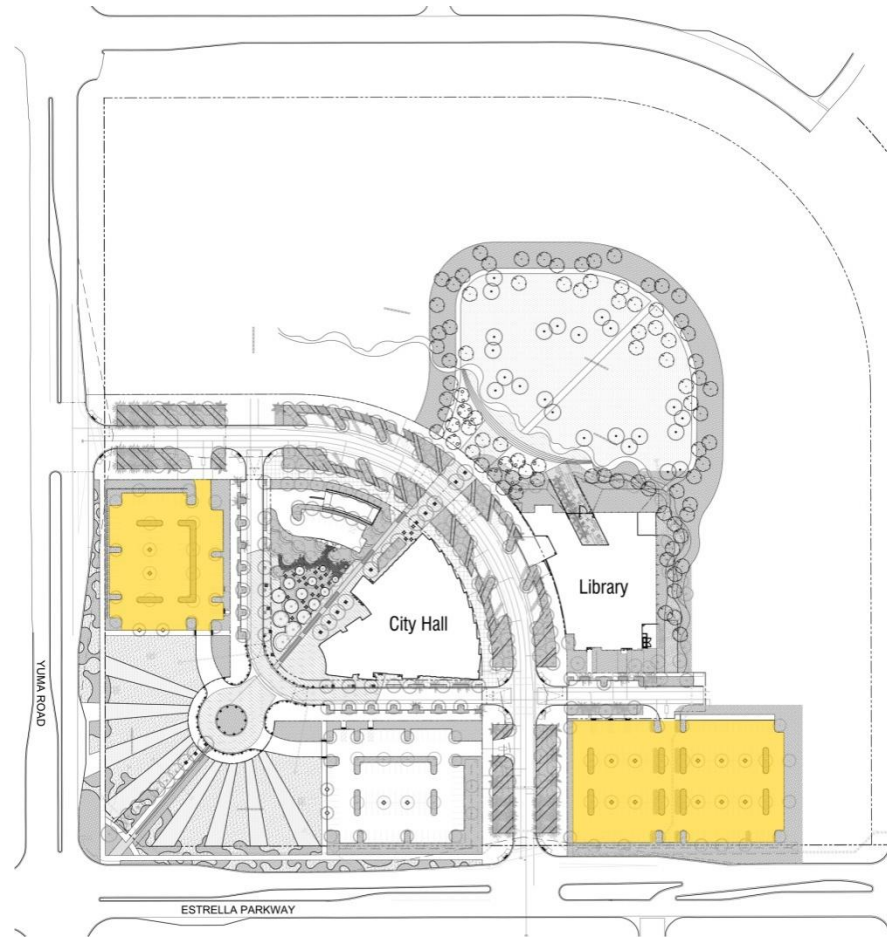
Possible Scope of Revised City Center Phase I



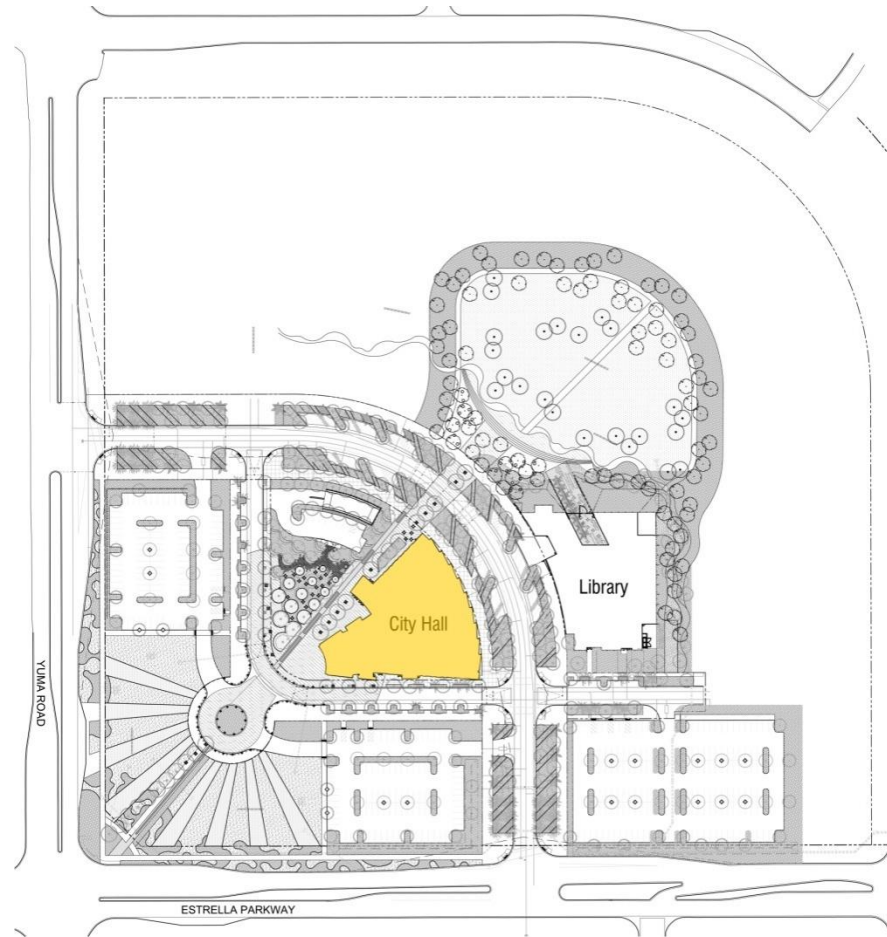
Possible Scope of Revised City Center Phase I



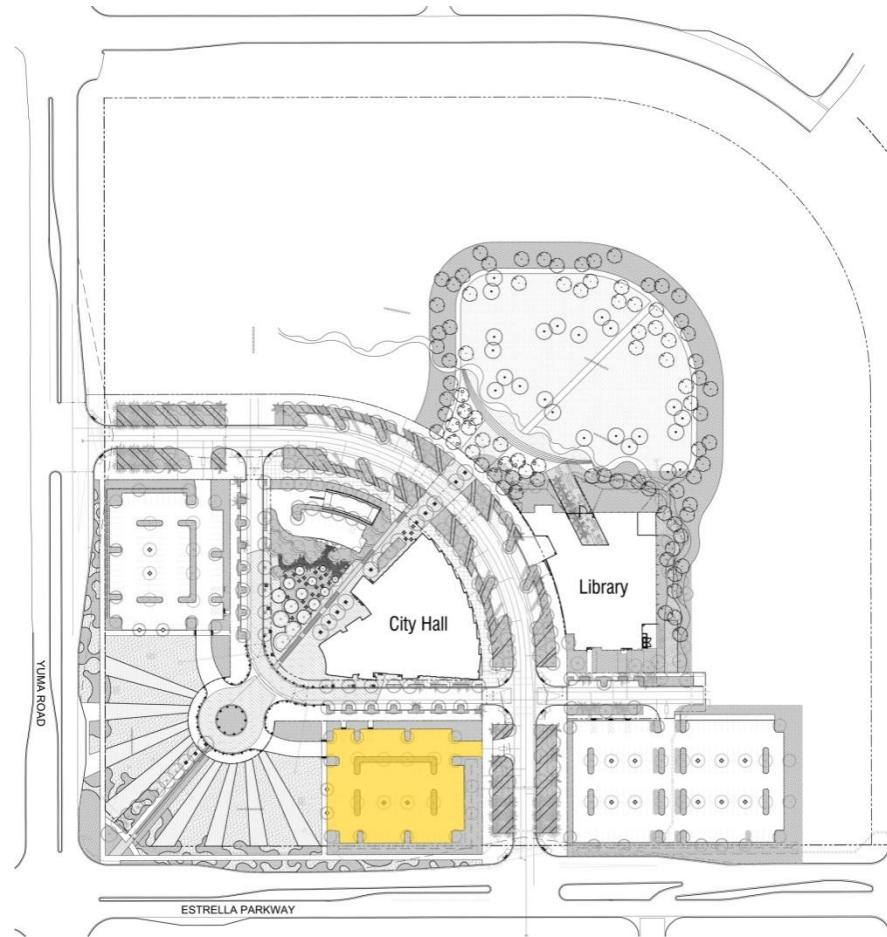
Possible Scope of Revised City Center Phase I



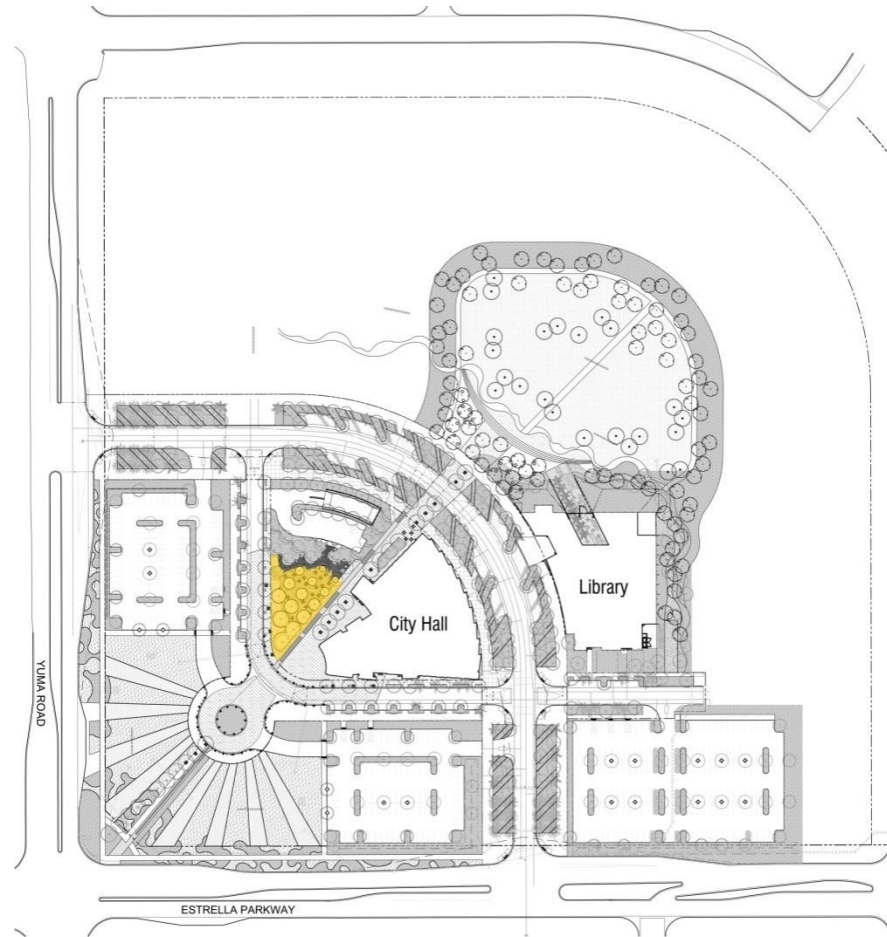
Possible Scope of Revised City Center Phase I



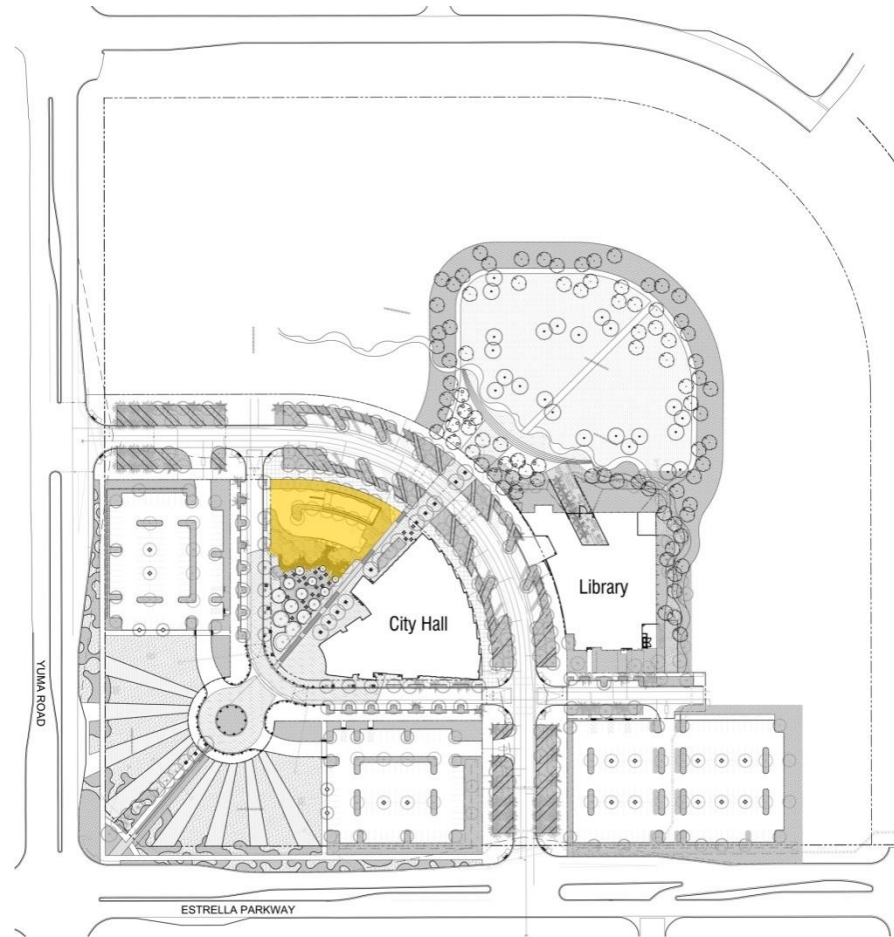
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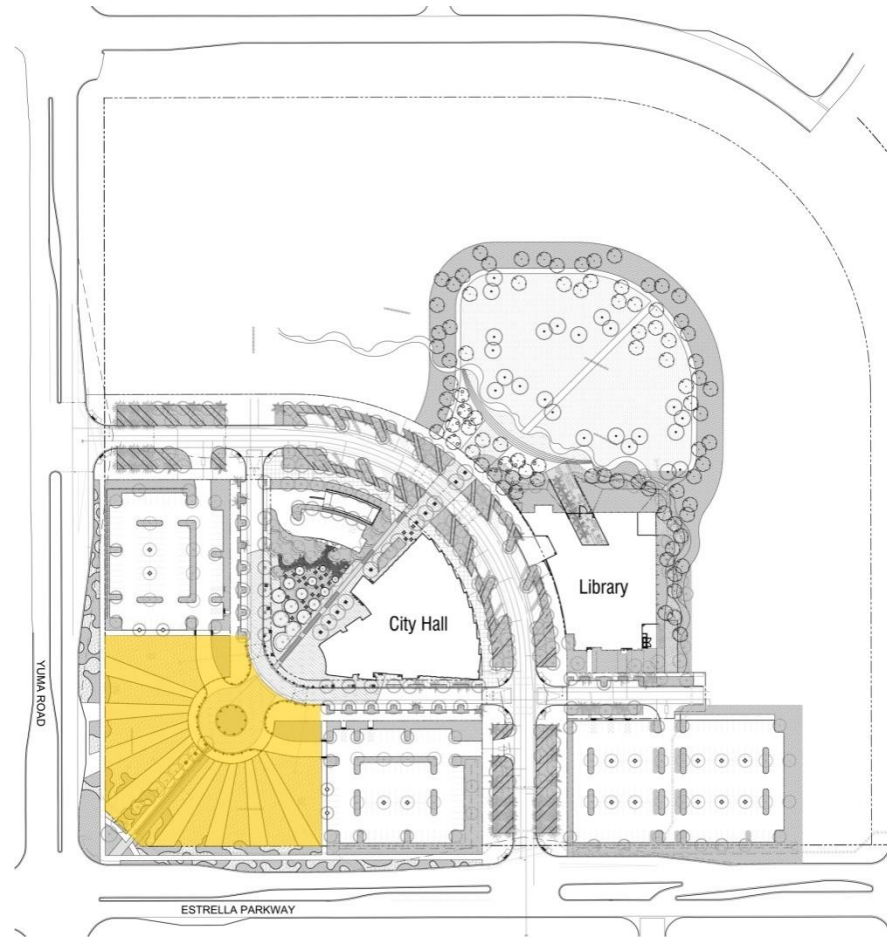
Possible Scope of Revised City Center Phase I



Possible Scope of Revised City Center Phase I

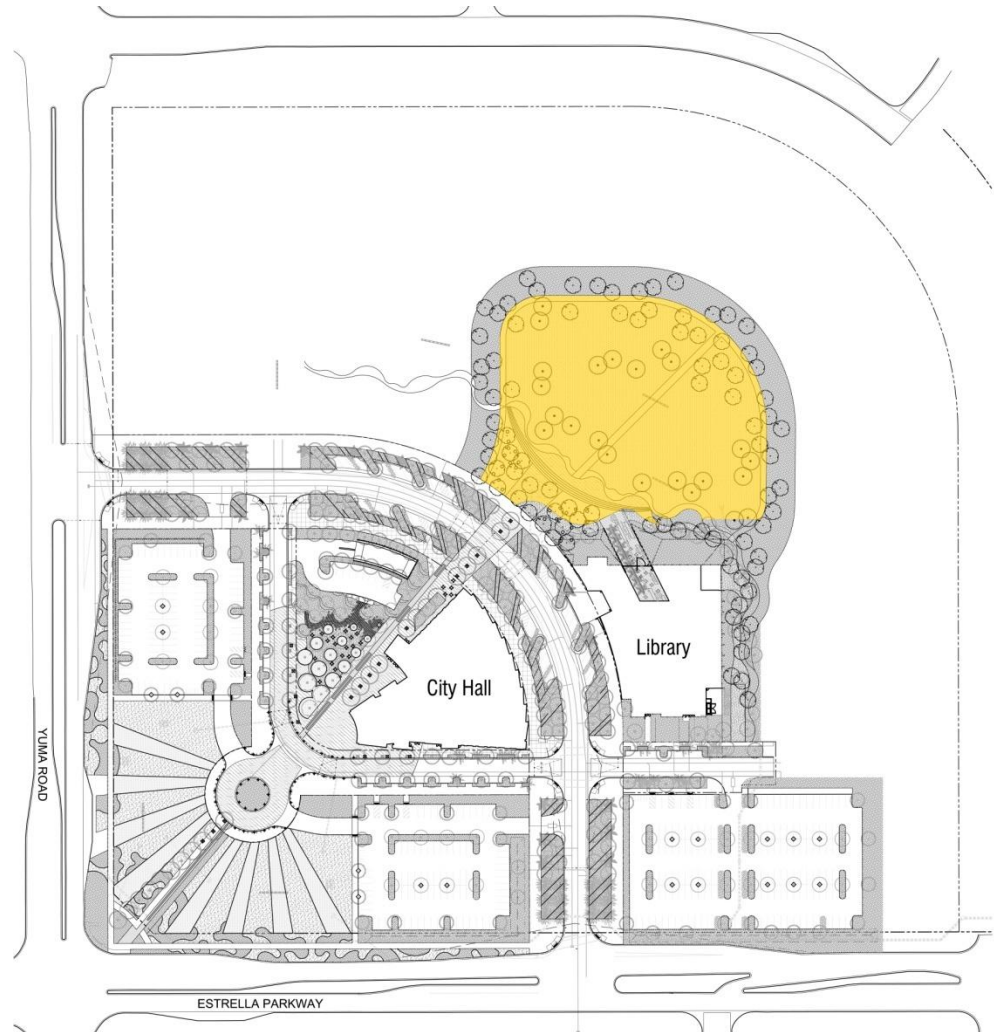


Possible Scope of Revised City Center Phase I



Possible Scope of Revised City Center Phase I

□ 4-Acre Park



Implications for City Center Phase I

- **The revised scope could include:**
 - ▣ Stand-Alone Library (30,000 square feet)
 - ▣ Associated Infrastructure – to give it a “Sense of Place”
 - ▣ Phase I of 4-Acre Civic Park (next to the library)
- **GO Bond Maximum \$22.7 million**
 - ▣ Well within \$55 million GO bond authorization
- **Debt service fits within the \$2.3 million we can afford**
 - ▣ \$1.7 million debt service for City Center Phase I
 - ▣ \$0.6 million debt service for Priority CIP Projects
- **New O & M charges: \$466,000 upon opening of park**
 - ▣ Remainder of O&M costs for library incrementally phased in beginning in FY13

Remaining 6% Limitation capacity

\$ 52,000,000	<i>Total Amount of GO Bonds we could sell within the 6% limitation on our budget</i>
<u>\$ (13,000,000)</u>	<i>GO Bonds Related to Public Facilities Needed for Priorities/City Center Phase I in next 5 years</i>
\$39,000,000	<i>Remaining GO Bond capacity within 6% limit</i>

When Can We Build City Hall?

Answer: FY 16/17

- **Assumed cost of building only a City Hall would be about \$35 million**
 - ▣ Have assumed inflation and future higher building costs
- **We would need additional debt capacity to repay**
 - ▣ Would need another \$2.8 million in secondary tax revenue to cover \$35 million in GO bonds
- **Debt Capacity should be available in FY 16/17**
 - ▣ Could begin construction in late FY 14/15 and carry interest costs forward as part of project

When Can We Build City Hall?

Answer FY 16/17

- **We would have enough bond authority voted on by the people**
 - **\$32 million for public facilities would remain after revised City Center Phase I completed**
- **We would have capacity within our 6% limitation**
 - ▣ We have it as long as we don't build other buildings before we build City Hall
- **We must have the ability to pay for additional new O&M**
 - ▣ Estimated \$200,000 net new O & M to run City Hall
 - ▣ Should be able to pay it by FY 16/17 based on expected economy comeback



Applied Economics Economic Impact Study For City Center

September 2009

Development Impact 2010-2023

(Factoring in 5-Year Delay of City Hall)

	Total # Direct & Indirect construction <u>jobs</u>	Total Direct & Indirect Construction <u>income</u>	Total Direct & Indirect Construction Economic <u>Activity</u>
Public Facilities	1,288	\$65.1 M	\$144 M
Private Development	3,634	\$ 183.8 M	\$407 M
Total 2010-2023	4,922	\$248.9 M	\$551 M

Impact of 5-Year City Hall Delay on Land Leases between 2011 - 2024

Years 2011 – 2024 NPV	Take Down Land Value	Cumulative Annual Land Lease Payments
City Hall open in 2011	\$14,231,421	\$8,145,509
City Hall open in 2016	\$13,679,014	\$3,847,265
DIFFERENCE	\$ 552,401	\$4,398,244

Effect over 95 Years of Delaying City Hall 5 Years

- The following numbers represent Net Present Value for Years 2011 to 2106 – length of our partnership with Lankford
- Net Fiscal Impact includes land lease and all other general fund and gas tax fund revenues and expenditures

Scenario	Land Lease Revenues	Net Fiscal Impact
City Hall Open in 2011	\$31,683,393	\$62,723,384
City Hall Open in 2016	\$30,158,279	\$54,378,476
Difference	\$1,525,114	\$8,344,908

Summary of City Center Project

- We have only \$2.3 million a year for debt service until about 5 years from now when we could afford more
- That \$2.3 million buys \$30 million in GO bond debt with traditional 20-year loan period at 5% interest
- Priority CIP Projects will require \$7.3M in GO bond debt leaving only \$22.7M for City Center Phase I
- Only free-standing library, a neighboring 4-acre park and area infrastructure including roads and extensive landscaping appears to be the only affordable option at this time

Summary of City Center Project – cont.

- More Value engineering will have to be done to get library's cost down
- We have enough voter authorization to do the revised Phase I and the Priority Projects but will need more authorization to build City Hall
- We should have enough room within 6% limitation on GO bonds for buildings to do revised Phase I now and the City Hall in five years, assuming no other facilities are built utilizing the GO bond
- We will have to absorb \$1.7M of O & M for the Priority CIP projects whether or not we do the revised City Center Phase I plan (phased in over next five years)
- Will have to take on \$466,000 in O & M for 4-acre park and library when come online
- Additional phased in costs for O&M for the library begin in FY13 (implemented in 25% segments)
- City Hall could be built within 5 or 6 years if it is affordable because it will help speed up private development to stimulate the economy.

Other Future City Center Area Projects Evaluated

- City Hall – Approx \$35 million
- Multi-Gen – Approx \$16 million
- Performing Arts Center – Approx \$35 million
- Higher Education - \$35-50 million

Next Steps

- Public Open Houses (October 6 & 7)
- Additional Worksessions as Required
- Go/No-Go Decision on City Center



Questions?